

NEW HAMPSHIRE STATE LIQUOR COMMISSION

MINUTES OF MEETING – MAY 10, 2006

PRESENT: Chairman Anthony Maiola and Commissioner Patricia Russell; John Bunnell, Administrator of Marketing & Sales; Craig Bulkley, Bureau Chief of Administrative Services; Randall Avery, Deputy Chief of Enforcement; Howard Roundy, Director of Information Technology; Peter Engel, Director of Store Operations; Kathleen McCabe, Director of Purchasing; Evie Taft, Human Resources Administrator; Richard Gerrish, Spirits Marketing Specialist; Nicole Brassard, Wine Marketing Specialist; George Tsiopras, Chief Financial Officer. **Guests:** Al Picconi, Southern Wine & Spirits of N.E., Inc.; Michael Goclowski, Law Warehouse; Karen Vanderbeken and Christine Hardy, N.H Easter Seals.

EXCUSED: Commissioner John Byrne; Eddie Edwards, Chief of Enforcement.

Karen Vanderbeken and Christine Hardy from Easter Seals thanked the Commission for supporting the N.H. Easter Sales charity wine tasting which was held several months ago. Although it entailed a lot of work, they felt it benefited both Easter Seals and the wine stores. Nicole said preliminaries have already been started on how to make this event even bigger and better next year.

I. FINANCIAL & ADMINISTRATIVE REPORTS

1. Financial Reports

A. Year-to-Date Sales Reports:

Total sales for the week ending May 7, 2006 were up 4.10% or \$287,369 over the same week last year, and were also up for the year by 6.04% or \$20,131,093.

B. Budget/Administrative Reports:

There will be a Law contract committee tomorrow, at which time Brian Law will make a formal presentation.

The three auditors from the LBA have arrived at the Commission, and will be here for approximately six months. They will be looking at policies and procedures, as well as financial data, relative to transactions which occurred during this fiscal year. It is expected they will be asking a lot of detailed questions, which will be channeled through Dave Signourey. They will also probably be visiting approximately a dozen stores.

The current W-6 Expense Budget Activity Variance Report indicates the year to be about 86% expired, with total agency expenditures at around 80%. The

Commission's request for assistance with benefit expenses has been forwarded to Administrative Services; there has been no response yet. Craig said the Commission is expected to send back \$800,000 in lapse money, which could be used by Administrative Services to pay on the deficit. Much of the deficit is attributed to the rise in gas prices, and electricity costs have gone up significantly.

Accounting is currently working on several contracts and year end activities.

2. IT Report:

Because of the recent concentration on increased security by OIT, the password system will become more complex, and passwords will need to be changed more often. The control of all network devices will switch over to the OIT Operations center. The Commission will maintain its own monitoring console here.

Theresa Perry-Cuttis, E-Government Director, has prepared a response to the six Visa/Mastercard claims filed against the Commission which will be sent out in a day or two. The response includes that the FBI found no breach in activities and, therefore, the Commission is not liable for these claims.

Training will be given to the brokers next Monday regarding web based filing of special orders. Howard presented an overview of these changes which will allow depletion allowances to apply to any segment of the market and provide flexibility in targeting depletion programs. It also resolves the long-term issue that discounts are intended to go fully to the consumer. Craig asked what the projected drop in revenues would be. Howard gave a further explanation of how the program will operate. John Bunnell remarked that it will provide a fairer system, and explained how. Commissioner Russell felt this needs more discussion before the program is presented to the brokers.

Dell is presently giving a POS equipment demonstration in the Warehouse for anyone interested in attending.

Web survey testing is fully functional now. Peter Engel requested that the training group develop some training sessions, to be followed up by testing, for store employees.

The MOA is being reviewed, and Craig and Howard should have it ready for internal review by sometime next week.

3. Human Resources Report:

Notices regarding the fair share arrangement with the SEA will start going out to employees May 5th. Evie will start setting up meetings to discuss this change with employees and will advise when a schedule is put together.

II. MARKETING & SALES REPORTS

1. Store Operations

Store sales for the week ending 5/7/06 increased by 4.72% or \$246,796.00. Peter reported a relatively quiet week.

A. Additional Store Security Details Recommendation – Memorial Day through Columbus Day, 2006:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve additional store security details for Memorial Day through Columbus Day 2006 at Store #15 in Keene, as recommended by Peter Engel, Director of Store Operations and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2. Purchasing Report

Kathy distributed the latest warehouse out-of-stock report, which has remained about the same as last week's.

3. Merchandising Report

A. SPIRITS:

1) Line Extension Requests:

a. Bombay Sapphire Gin, 375ML:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from Horizon Beverage Company/Bacardi USA for a line extension to Bombay Sapphire Gin, 375ML size (assigned new Code #3343), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Tequila Rose Strawberry Cream Liqueur & Gran Gala Orange Liqueur, 50ML:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission deny a request from Martignetti Companies of N.H./McCormick Distilling Co. for a line extension to Tequila Rose Strawberry Cream Liqueur and Gran Gala Orange Liqueur, 50ML sizes, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Product Demo (Kahlua Mudslide):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from Southern Wine & Spirits of N.E., Inc./Pernod Ricard to conduct non-alcoholic samplings of Kahlua Mudslide at nine (9) stores on June 2, 3, 4, 9, 10 and 11, 2006, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) July Special Offers:

a. 1 item – Flag Hill Winery & Distillery:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a special offer from Flag Hill Winery & Distillery, based upon depletions for one (1) spirit item, to be featured on sale during July 2006, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 4 items – M.S. Walker, NH:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from M.S. Walker, NH, based upon depletions for four (4) spirit items, to be featured on sale during July 2006, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. 4 items – Perfecta Wine Company:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Perfecta Wine Company, based upon depletions for four (4) spirit items, to be

featured on sale during July 2006, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d. 4 items – Pine State Trading Company:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Pine State Trading Company, based upon depletions for four (4) spirit items, to be featured on sale during July 2006, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

e. 41 items – Executive Wine & Spirits:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Executive Wine & Spirits, based upon depletions for forty-one (41) spirit items, to be featured on sale during July 2006, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

f. 26 items – Martignetti Companies of N.H.:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Martignetti Companies of N.H., based upon depletions for twenty-six (26) spirit items, to be featured on sale during July 2006, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

g. 127 items – Horizon Beverage Company:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Horizon Beverage Company, based upon depletions for one hundred twenty-seven (127) spirit items, to be featured on sale during July 2006, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

B. WINES:

1) Special Offers for July 2006:

a. 5 items – Charles Zoulias:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Charles Zoulias, based upon depletions/special purchase allowances for five (5) wine items, to be featured on sale during July 2006, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 10 items – M.S. Walker, NH:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from M.S. Walker, NH, based upon depletions/special purchase allowances for ten (10) wine items, to be featured on sale during July 2006, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. 24 items – M.S. Walker, NH (25% Off Sale):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from M.S. Walker, NH, based upon depletions for twenty-four (24) wine items, to be featured on sale during the 25% Off Sale for July 2006, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d. 5 items – Executive Wine & Spirits:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Executive Wine & Spirits, based upon depletions for five (5) wine items, to be featured on sale during July 2006, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- e. 62 items – Martignetti Companies of N.H.:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Martignetti Companies of N.H., based upon depletions/special purchase allowances for sixty-two (62) wine items, to be featured on sale during July 2006, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- f. 56 items – Southern Wine & Spirits of N.E., Inc.:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Southern Wine & Spirits of N.E., Inc., based upon depletions/special purchase allowances for fifty-six (56) wine items, to be featured on sale during July 2006, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 2) Store Tasting (Quarra wines):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from M.S. Walker NH to conduct an in-store tasting featuring 3 Quarra wine products on Thursday, May 25, 2006 from 4:00 to 6:00 p.m. at Store #7 Littleton, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 3) Purchase & Introduction of Querceto Chianti:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission deny a request from M.S. Walker NH for the Commission to purchase and introduce Code #27555, Querceto Chianti DOCG, but that three absolutes be placed in Cluster 1 stores, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 4) Test Market Requests:

- a. Marco Real:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from M.S. Walker NH

to test market Code #42165, Marco Real Tempranillo by placing a three absolute in each Cluster 1 store and Stores #55 Bedford and #60 West Lebanon, and also approve the removal from retail of thirty-three (33) Spanish wines to be discounted to deplete remaining store inventory, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Luzon Verde Monastrell:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from M.S. Walker NH to test market Luzon Verde Monastrell by placing a three absolute in each Cluster 1 store and Stores #55 Bedford and #60 West Lebanon, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. Kumala Wines:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission deny a request from Southern Wine & Spirits of N.E., Inc. to test market five (5) Kumula wine codes, and also approve the removal from retail of fourteen (14) South African wines to be discounted to deplete remaining store inventory, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d. Goundrey Wines:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from Southern Wine & Spirits of N.E., Inc. to test market Code #43398, Goundrey Cabernet Sauvignon, Code #43399, Goundrey Chardonnay and Code #43400, Goundrey Shiraz, 750ML sizes, by placing a three absolute of each in all Cluster 1 stores, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

e. Alamos (line extension):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from M.S. Walker NH to test market Code #37588, Alamos Viognier, Code #35578, Alamos

Cabernet and Code #37589, Alamos Bonarda by placing three absolutes of each in all Cluster 1 stores and in Stores #55 Bedford and #60 West Lebanon, but deny the introduction of Code #35578, Alamos Cabernet, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

f. Red Truck Varietals:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from Martignetti Companies of N.H. to test market Code #43687, Red Truck Chardonnay, Code #43688, Red Truck Pinot Grigio, Code #43636, Red Truck Merlot and Code #43635, Red Truck Cabernet by placing three absolutes of each in all Cluster 1 stores and in Stores #55 Bedford and #60 West Lebanon, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

g. Dreamy Clouds Rihaku Nigori Sake:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from Wineberries, Ltd. to test market Code #41416, Dreamy Clouds Rihaku Nigori Sake, five (5) additional Sake items and two (2) plum wine items by placing three absolutes of each in thirty-six (36) designated retail stores, and approve the removal of two (2) Sake codes from retail availability, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) Recommended Allocated Wines for Distribution to Selected Stores (13 items):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve thirteen (13) allocated wines for distribution to selected stores, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

6) Recommended Allocated Wines (Absolutes) for Distribution to Selected Stores (7 items):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve seven (7) allocated wines (absolutes) for

distribution to selected stores, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

7) Primary Source Submissions:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve the listing of one (1) wine code offered by the exclusive marketing agent and sixteen (16) wine codes which are imported, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

III. ENFORCEMENT & LICENSING REPORT – No report.

IV. CHAIRMAN'S REPORT & LATE ITEMS

1. Bailment Requests:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve all previously reviewed requests for bailment releases/transfers dated May 4 through May 10, 2006. The motion was unanimously adopted.

2. Coupon Approvals: None.

3. Late Items/Other: None.

Anthony C. Maiola, Chairman

Patricia T. Russell, Commissioner

/D. Hartford

